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DIRECTORATE OF  
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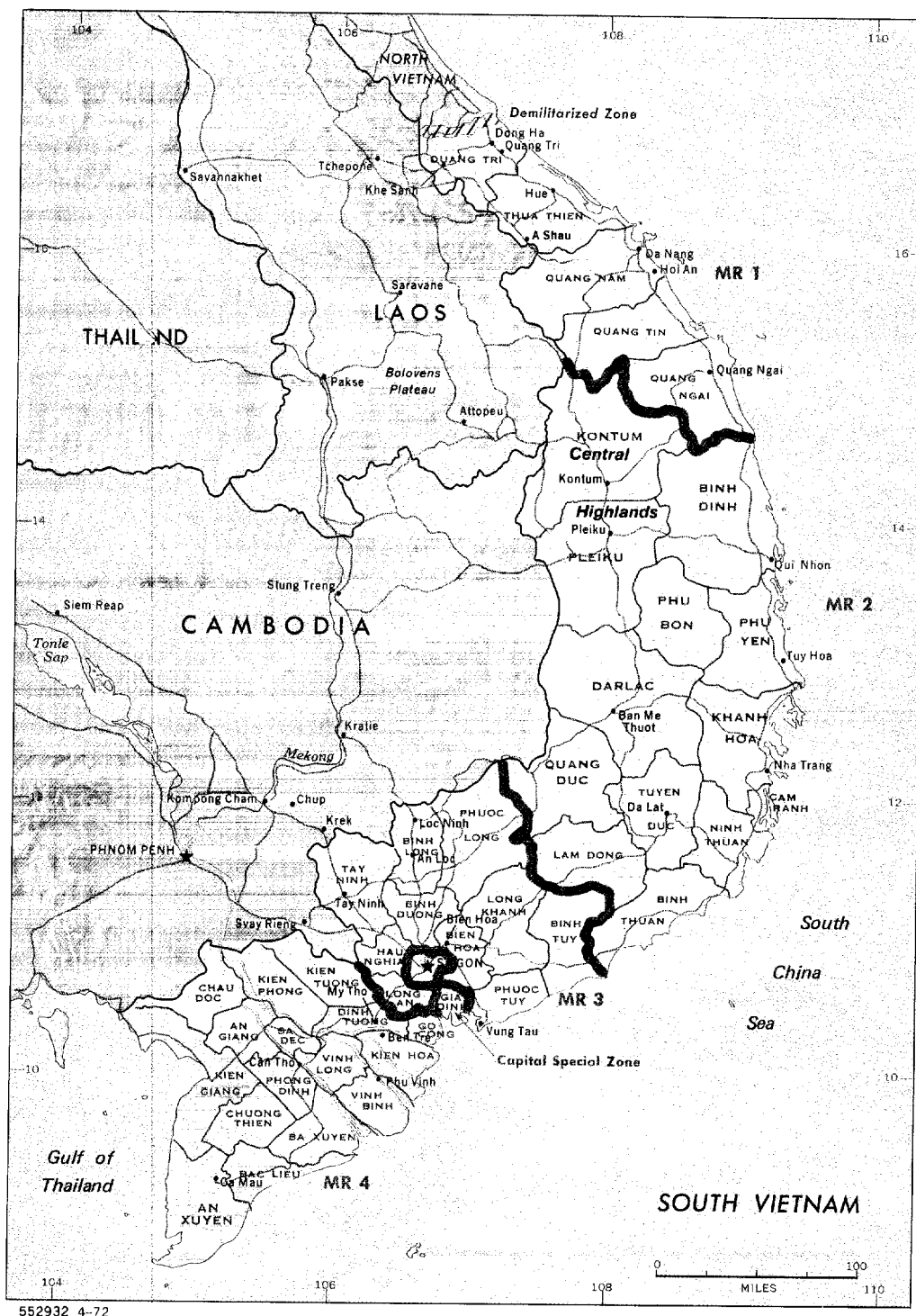
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**SOUTH VIETNAM:** Large-scale military action has been relatively light, but there are numerous signs that the Communists are getting ready for new attacks on all three major battlefronts.

North Vietnamese advances have been slowed in Kontum Province north of the provincial capital, but Communist forces appear to be regrouping for a fresh round of assaults. The enemy has resumed heavy shellings of An Loc, and reportedly is concentrating large numbers of troops and armored vehicles to the north for a new push against the city.

Viet Cong units are continuing to make inroads in the countryside in all four military regions. The Communists now control large sections of the eastern lowlands in the southern three provinces of Military Region 1, and local South Vietnamese officials are convinced that nothing short of a major military effort will succeed in restoring government authority to these formerly pacified areas. Viet Cong units are driving refugees away from hamlets and resettlement camps formerly controlled by the government and are attacking bridges and fortified compounds along many sections of Route 1, which runs along the coast.

Farther south, local security has been set back in Binh Dinh and Binh Duong provinces. In the Mekong Delta, government outposts in several provinces have been attacked. In Chuong Thien Province, Vietnamese military officials admit that the Communists now have established almost complete control over all of the major communications routes there, largely without the use of their main-force units.

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\*VENEZUELA: The Caldera government, in rare control of nearly every domestic and even international concern for the moment, seems unable to get the student situation under control.

The Christian Democrats are now in an enviable political position. Having completed three years of his five-year term, President Caldera has mastered the art of dealing with his armed forces, the guerrilla problem is down to a nuisance level, and his party is the one political group to have settled the difficult question of choosing its next presidential candidate. Moreover, border disputes have been put under some kind of moratorium. Rightly or wrongly, Caldera seems to feel in a strong position to negotiate on trade and oil matters with the United States.

The spoiler for Caldera now, and possibly for his party as electioneering for 1973 becomes more serious, is the student problem. Despite the government's intensive and delicate efforts to deal with the situation, each time it is ready to take another step in the normalization plan, a small group of troublemakers manages to find some pretext to lure students into the streets.

Once again, as university elections are under way, serious student rioting and vandalism have occurred in Caracas and in most of the major cities. A student's death, allegedly at the hands of the police, has provoked much of the current violence and a large antigovernment demonstration is to take place today.

The more effective radical groups, especially the nationalist-Communist Movement to Socialism, prefer peace at the schools, where they have strong political support. The disruption is promoted by

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anarchists and the discredited pro-Soviet Communists, who see an opportunity to show that they can manipulate events. The Caldera government is faced with the dilemma of finding a path between repression and impotence that will not provide the opposition parties with a ready-made political issue. [REDACTED]

[REDACTED]

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\*Because of the shortage of time for preparation of this item, the analytic interpretation presented here has been produced by the Central Intelligence Agency without the participation of the Bureau of Intelligence and Research, Department of State.

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ECUADOR: President Rodriguez reportedly is concerned about discontent within his government and among younger officers in the armed forces.

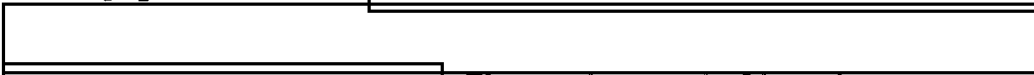



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If Rodriguez removes the more reformist members of his cabinet, he will be aggravating his problems with the younger officers in all military services. The army inspector general recently was assigned to visit various troop commands to try to convince younger officers that the government will undertake needed reforms when resources become available. The younger officers are known to admire Proano and Valdivieso as well as Commander Raul Sorrosa Encalada, the navy representative on the government council that advises Rodriguez.

Sorrosa has been mentioned previously as being strongly leftist. 

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 There is no indication so far that Sorrosa or the other leftists are strong enough to attempt a showdown with Rodriguez. The president, however, will have to move carefully to avoid alienating those officers who hope to see Ecuador move faster along a reformist path. 

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ITALY: The election campaign has brought into sharper focus differences among parties of the center-left coalition over future relations with the Communists.

The Socialist Party, the second largest member of the center-left, advocates acceptance of occasional support from the parliamentary left, including the Communists, as a means of legislating essential reforms. Italy's largest party, the Christian Democrats, and the other two center-left parties reject any sort of parliamentary cooperation with the Communists and threaten to exclude the Socialists from a future coalition government if they persist in intransigent leftism.

The Socialists hold out the prospect of utilizing parliamentary support from the left in order to attract more votes from that quarter, albeit at some risk of losses on the right. At this point in the campaign they are more concerned about consolidating their leftist following in the electorate than in center-left harmony. After votes have been tallied on 7-8 May and negotiations to form a new government begin, the rigid positions voiced during the campaign may prove to have been only rhetoric.

Christian Democrats' hopes have been buoyed, meanwhile, by a private poll indicating that the number of Christian Democrats likely to defect to the neo-fascists will not be as great as had been feared earlier in the campaign. [REDACTED]

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[REDACTED] there are several signs [REDACTED] party is on the upswing and now expects to lose only 12 to 15 seats in the Chamber of Deputies.

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The Communists, using a poll of their own, also have concluded that the parties in the center of the political spectrum stand to recapture enough conservative voters to forestall spectacular neo-fascist advances. The Communists are more concerned

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about the indications that they will have great difficulty maintaining their present strength in parliament. They expect to lose some votes to the far-left Manifesto group which is running on a separate ticket for the first time. The Communists also are uneasy, as are all of the parties, over the large number of first-time voters--one in ten--that have added to the uncertainties of the campaign. [REDACTED]

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IRELAND: Dublin is now waging an intense campaign to win popular approval for EC entry.

With the referendum set for 10 May, Prime Minister Lynch and other Dublin officials are stressing almost daily the benefits of membership and attempting to refute arguments voiced by opponents of entry. Lynch plans to launch a massive mailing campaign and to canvass the country. The Fine Gael, the main opposition party, also favors entry and is aiding Dublin's efforts.

Most officials of the Labor Party, a small opposition group, support entry but are campaigning against it because of their dependence on labor union support. Both the official and provisional wings of the Sinn Fein, the political arm of the Irish Republican Army, have been campaigning against entry and recently have complained that citizens of Northern Ireland will not be able to vote in the referendum.



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Dublin fears that many of the undecided will abstain and that those only mildly in favor of entry may not vote, while opponents are likely to turn out en masse. Both sides are making efforts to muster the vote, and most observers believe that proponents have the advantage.

EC entry involves a number of emotional issues: fears over loss of sovereignty and neutrality; hardship for small farmers; an expected rise in unemployment; and difficulties for developing Irish industry. Proponents of entry, however, suggest that farming should be helped by higher EC prices and that agriculture-related industries will benefit. The Irish also expect to receive EC aid for regional

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development. Irish economic dependence on the UK should diminish. At present, two thirds of Irish exports go to the UK. If the UK joins the EC and Ireland does not, this traditional market, too, would be partially closed to Irish goods. [REDACTED]

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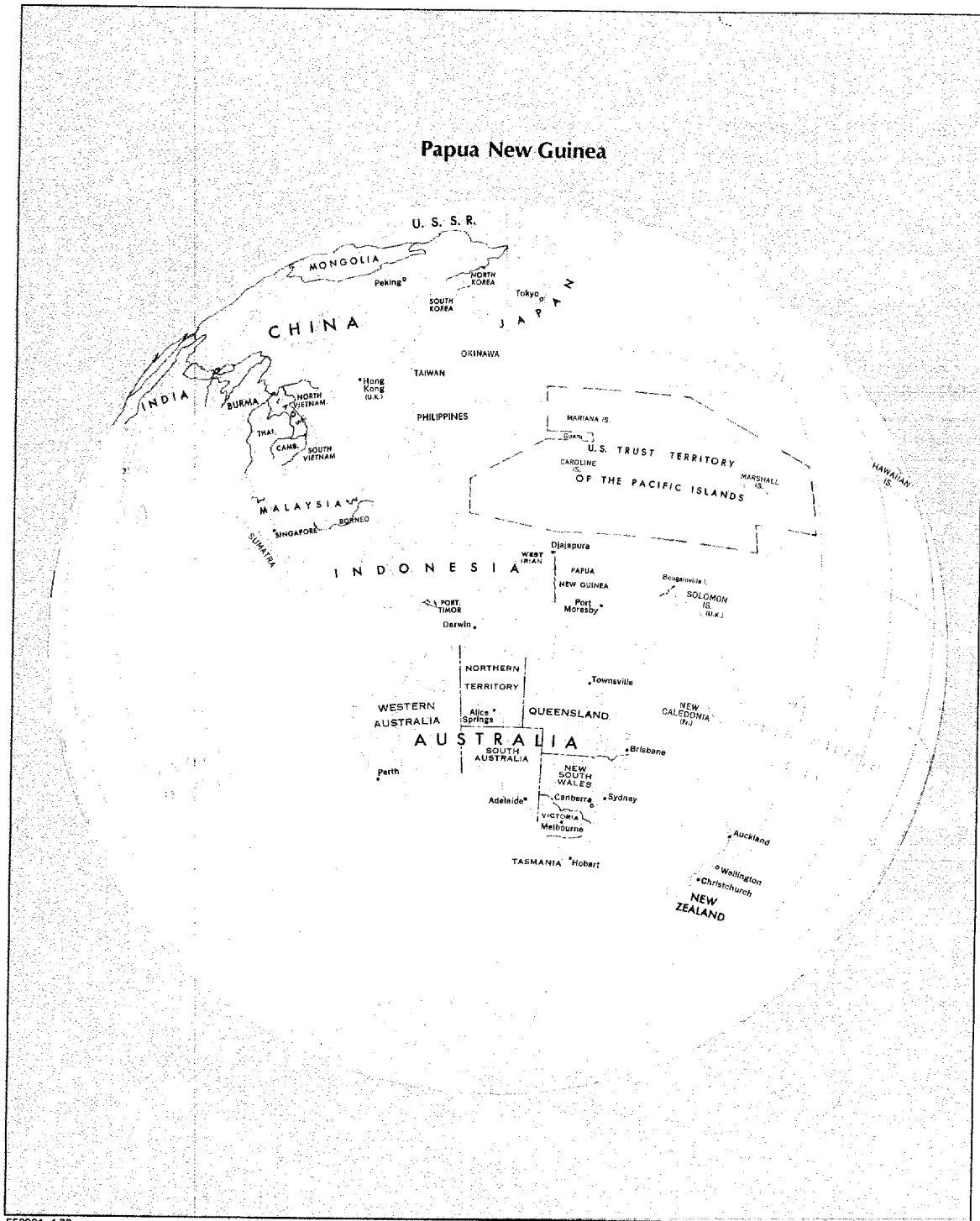
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AUSTRALIA - PAPUA NEW GUINEA: The recent general elections in Papua New Guinea moved this Australian-administered territory another step along the road toward self-government.

None of the plethora of local parties gained a majority of the 100 seats in the House of Assembly, but the ultra-nationalist Pangu Party has succeeded in fashioning a working majority. Pangu leader Michael Somare, the enfant terrible of the last House, campaigned on a platform demanding immediate self-government.

The growing political influence of the Pangu Party has been a matter of some concern to Canberra, despite its indicated willingness to honor a majority call for territorial self-government. The Australian Government has planned to grant self-government to the mineral-rich and underpopulated territory sometime after 1975, following ordered stages of self-development. Some Australian observers have suggested that self-government might precipitate a "Congo-style situation" with the territory disintegrating into warring tribal factions.

Australian apprehension that the Pangu Party would generate an appeal for early self-government has eased somewhat following chief minister Somare's initial policy speech on April 24. The speech was moderate on the self-government question, evidently in recognition of the fragility of the coalition government, not all of whose members favor immediate self-government. But Somare also introduced some new ideas that should give Canberra cause for concern. He said he would seek domestic legislation to "free" the territory from outside social and economic domination; four Australian firms currently dominate Papua New Guinea's commercial and mining interests. Somare may also seek to assert the territory's right to negotiate directly with foreign companies seeking economic concessions there. [REDACTED]

[REDACTED]

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JAPAN-EC: There is growing concern in Europe over the continued influx of Japanese exports. Japan has instituted "voluntary" controls on its electronics exports, but the Dutch have sent Tokyo a formal note expressing concern over their increased bilateral trade deficit with Japan. The note mentions trade agreement provisions that can be invoked to check the inflow of Japanese goods. Furthermore, the EC has instituted investigations into Japanese exports of oxalic acid, ball bearings, and polyester filaments that may have been "dumped" on the European market. The Japanese strongly deny that dumping has occurred. [REDACTED]

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CEYLON: The government's anxiety about renewed insurgency appears to have eased. [REDACTED]

[REDACTED] the authorities may have overreacted last month, making defensive preparations that were out of proportion to the actual danger. In any case, the security forces' state of alert and the military equipment received from several countries over the past month have significantly strengthened the government's ability to deal with an outbreak. Nonetheless, the underlying popular discontent that helped trigger last year's insurrection remains, and Colombo's recent decision to release 4,500 to 5,000 of the roughly 14,000 persons in custody since the 1971 uprising could augment the relatively small numbers of active insurgents currently at large. The government claims it is releasing only those who were peripherally involved last year, but many may have been radicalized during their detention. [REDACTED]

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